

# Sustaining Economic Development in the Adirondack Park

*The best stewards of the land are citizens of a healthy economy*

BY ERNEST HOHMEYER

Sustainable economic development is a catch phrase offered by economic development practitioners, scholars, and environmentalists. In some ways it is an oxymoron. The most common perception is that economic sustainability is like a tree which when cut down will simply be replaced by another healthier one. Business sustainability is not governed by the laws of nature and when a business fails or closes, a new venture will not necessarily seed in its place. A business, like a tree, can be said to be a living thing, but it will not simply regenerate itself without constant market analysis, fiscal planning and in the case of the Adirondacks, additional assistance from all sectors, both private and public to aid a distressed economy. The best stewards of the land are those who are citizens in a healthy economy.

The reason economic sustainability does not make sense can be found in the example of the tourism industry. What made sense for the operation of tourism business 20 years ago, may not make sense today. For instance, at one time a typical stay in the Adirondacks was over a week in duration. Now, the average stay is 2 to 3 nights. The demographics of travelers have also changed. Today they seek to be part of the Adirondack experience,

within the confines of modern amenities — a fireplace, jacuzzi, etc. Consumers and travelers are more mobile today, and because of the information age, tourism destinations within the Adirondacks are competing on a global level. The marketing of a business is no longer limited to a small region within a day's drive. With



*The beginning of the Lake Clear - Saranac Lake segment of the abandoned Adirondack Railroad*

the Internet, businesses are marketing to the entire country and, indeed the entire world. This presents several dilemmas to the tourism infrastructure in the Adirondacks. First, many of these facilities were built in the early to mid 1900s and do not possess the amenities the 'Baby Boomers' are interested in. Second, con-

sider this with the need to spend more of one's budget on marketing and you can begin to appreciate the situation tourism businesses find themselves in. Taken in combination, the result is dwindling revenues compounded by the need for greater expenditures in renovations and marketing. Thus, traditional ways of doing business no longer apply, and the tourism entrepreneur is faced with a decision to invest or to close. If the answer is to invest, traditional financing becomes next to impossible for as these facilities become out of date, less income is generated, making financial institutions wary of investing. In addition, banks are very leery in general of funding seasonal businesses where one may see a negative cash flow several months of the year.

Even though the Adirondack Park is uniformly regulated, it is torn apart by multiple state tourism and economic development regions. These target the metropolitan portion of their areas which surround the Adirondacks. Thus, their efforts are geared to industrial recruitment. Further, typical Adirondack businesses, especially tourism facilities, are often ineligible for assistance. With no incentives or just plain capital available, a better option for these entrepreneurs becomes exactly what we may not want — further second-home subdivision. The sad reality is that these business owners can maximize their return by selling individual lots, not investing in their business. While this may be 'development' it is not value-added economic development.

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Economic development expansion is not occurring in the aggregate throughout the Park. The end result is that Adirondack communities are losing their tourism-destination capability and becoming bedroom communities. As this occurs ancillary businesses in service, retail and crafts also die out. It is obvious the Adirondack economy is in transition. As once the Adirondack economy was dominated by the resource industry, which faded away, the same can be said for industry which replaced it: tourism. Traditional tourism related facilities and the way they operate are also becoming extinct, affected by the acidity of our economic environment. Except for perhaps Lake Placid and Lake George, most tourism facilities which do exist today require their owners to have a second income to survive. Even Lake Placid, a pillar of the tourism community, has fewer accommodations now than it had in the 1920s. We need to provide incentives to this industry which has a direct correlation to preserving our historical and social character and enhancing our environmental integrity. Old frameworks starting from how an individual tourism-based business operates, to how Adirondack counties promote themselves within a dysfunctional web of multiple chambers of commerce and the New York State 'I Love NY' regions, require new strategies and new commitments.

### **A Unique Economy**

As the Adirondacks is a unique environmental habitat so, too, is its economy. It is more than a rural region, it is a private-public Park. Thus, in order to achieve a workable economic development strategy, one must first understand the current economic environment of the region and how it must change in order to grow.

The Adirondack Park is a unique re-

gion in which to live and work, requiring novel approaches to preserve its quality of life and environmental integrity while sustaining and promoting a viable economic base within multiple state economic development and tourism regions. Because of state land use restrictions, development is encouraged in hamlet areas. This represents several dilemmas.

### **Without a strong, vibrant small business sector the economic vitality of the region will be impossible to maintain.**

First, vacant commercial buildings and abandoned railroad depots offer mute testimony to a once thriving downtown pre-eminence that has declined as the traffic patterns of commerce have shifted.

Second, changes in the global economy have virtually eradicated those industries that once provided prosperity to the hamlets they helped develop. Small communities boomed when

the railway connected them not only as transportation for summer residents and travelers, but as the lifeblood of the mining and timber industries. Large resource industries closed and were either not replaced (Newcomb and Moriah) or have been transcended by a tourism or back-office dominance. The scale of business in the Adirondacks now leans toward microenterprise, which traditionally has had the most difficult time accessing credit. New York State economic development programs have historically targeted urban centers, and currently there are no economic development loan funds geared solely to the economy of the Park. Traditional Adirondack businesses such as tourism, crafts, wood products and agriculture are often not eligible for these programs. In addition, state and federal employee training programs are geared toward dislocated factory workers or specialized industrial training, not smaller enterprises.

Third, internal and external influences on the banking industry as a whole, have made it more difficult for rural business owners to access and secure the types

of credit that, until just a few years ago, were taken for granted. Mergers and acquisitions have changed the face of rural banking, invariably resulting in less competition, higher fees and service charges, and the loss of local decision-making in the extension of credit. Historically, microenterprises have been hampered by changes made on a national level in credit policies of banks, which underwent increased scrutiny by examiners in the late 1980s and early 1990s, and consequently, banks became more reluctant to make smaller, less profitable business loans.

Thus, the rural disadvantaged, those without easy access to the educational, financial, and technological resources that are often taken for granted in urban areas, face greater challenges as they strive to improve the economy. Again, a problem for the Adirondacks is that the term 'rural disadvantaged' is not even recognized as a distressed sector of the population as are, for example, women and minorities.

### **A Disadvantaged Economy**

There are several examples of how 'disadvantaged' the Park economy is. The majority of jobs offered in the Adirondack region are lower paying, service industries related to tourism. It is interesting to note that even though employment in the Park rose by 25% between 1985 and 1992, inflation adjusted wages rose by only 5% as compared with 14% in New York State as a whole. Of the seven top industries with larger concentrations of jobs in the Park region than in New York State and the US, the top two are local and state government, followed by tourism. The other top industries in descending order are lodging, food services, and recreation. Due to its natural resource base, there is some opportunity for better paying private sector employment in the paper and wood products industries. Reliance on governmental facilities for adequate jobs, ranging from educational institutions to correctional facilities, creates a vulnerability to the state government's fiscal health and policy shifts. Without a strong, vibrant small



business sector the economic vitality of the region will be impossible to maintain.

An acute dilemma is the exodus of the Adirondack Park region's youth to higher paying jobs in more urban areas, a historical problem for the area, as reflected in 'Official Population Projections for New York State Counties.' In this report, there is data showing historical and projected populations by age for New York State as a whole, with comparisons to the Adirondack region. Population forecasts using birth, death, and out-migration data show an aging trend in the Park's median age as compared to the state as a whole.

Those who choose the Adirondack Park region as a locale in which to live, work and raise a family, face underemployment due to the lack of higher paying manufacturing and service sector jobs more prevalent in urban areas. A Rockefeller Institute study shows the average annual wage in the Park to be substantially lower than the US and New York State as a whole.

These facts indicate that the Adirondack Park region is an identifiable socioeconomic area and should be treated as such. There is a necessity to supplement tourism with other appropriate business development that will help stabilize local economics by bringing year round employment to the region's hamlet areas. Biomedical/biotechnical research and development, and wood products, are two such types of incentives that have a long history in the Park, and still maintain a presence which offer opportunities for expansion.

### The Key to Development

The key is to promote business development in the Park where environmental preservation and economic development walk hand in hand and are equal in their importance to the future designs of the Park. Currently, in my view, there is a preponderance of environmental agendas with no equal or consistent economic development effort. Perhaps the answer is not to wait for Big Brother to solve our ills but to pursue community-driven eco-



*Closed roadside stand — one of many casualties of declining Adirondack tourist traffic*

nomie development strategies. In this model, Adirondack communities can set an economic and local planning agenda in which the State provides assistance instead of the other way around. Communities need to be in a position to attract growth, and state incentives need to be created which include investments in hamlet revitalization and business infrastructure appropriate to local capacities and interest. Preservation should include a community's character as well as environmental integrity. In the private-public Park these two elements need to co-exist.

Another dilemma is that widespread housing for workers is limited. The lack of available, affordable, private land, and the strong second-home market have driven up the prices of real estate, making it difficult, if not impossible, for low to moderate income individuals who work in these microenterprises to own their own home.

Another unmeasured, but tangible effect of the rural character of the Park is that the cost of transporting goods and services into the Park drives up the price of the basic necessities of life such as food and energy. There are urban retail centers located outside the Park where prices are lower, but the cost of accessing them forgoes any savings. Many goods and services are only available outside of the Park. This creates an economic strain on the elderly, and those without access to transportation.

Conventional approaches to recruiting

businesses in the Adirondack Park will no longer work by themselves. The soundest economic policy is one that complements the quality of life of the region. The Adirondacks cannot compete in traditional business recruitment criteria such as population, trained labor force, expansive infrastructure, etc. as other communities outside the Park (Plattsburgh, Watertown, Glens Falls, Utica) are able to do. Therefore, it is my belief that environmental integrity and economic development are not mutually exclusive, but are in fact, complementary and interdependent and are the foundation for a higher quality of life.

What, then, can be done?

### A Suggested Adirondack Economic Development Policy

The Adirondack Economic Development Corporation (AEDC) has sought to pursue a broad based economic development policy, which includes traditional industrial recruitment and retention, microenterprise development, and internal expansion of existing companies.

The most effective way to pursue this policy is to begin at a community level. The environmental community often tends to broad brush the economy of the Park. However, the communities within the Park have varied definitions of economic sustainability and what they regard as necessary to ensure their community growth. There is also a great diversity



among communities in their capability to pursue economic development. What works for one does not necessarily work for another.

For example, the Town of Ticonderoga in Essex County has excellent transportation linkages, vacant land where commercial and industrial growth can take place, and an industrial history based on International Paper. Thus, this community is able to pursue industries such as wood products, service, and warehousing businesses which would complement International Paper's operation.

On the other hand, a community like Newcomb, (which once had an industrial based economy) would define its current economic development strategy as one geared toward their historical preeminence, back-office telecommunications, and the acquisition of key service amenities such as a gas station, motel, convenience or grocery store. These environmentally rich areas can use these resources as a basis for continued community growth in non-tourist related areas.

In order to accomplish the above, the AEDC has developed a unique approach to local capacity building led by private community investment. But there is a catch, it requires private initiative as well as assistance from all quarters of the Adirondack landscape including environmental and state resources. This strategy requires a true private-public partnership at the community level within an overall Adirondack Park economic policy. There are three integrated components to this strategy.

First, through community economic planning, to identify realistic and targeted business development opportunities. As part of this stage, community response teams are developed to assist in marketing efforts. The community response team will be trained to be knowledgeable with entrepreneurial training services from organizations such as AEDC. If private-public investment

can be developed such as the AEDC's conceptual Adirondack Community Investment Fund, there will also be access to community investment funds. In this way, a multi-level business recruitment and screening process takes place whereby communities identify needs which become entrepreneurial opportunities. The team members identify and screen targeted business opportunities. Then, organizations like the AEDC can support these targeted opportunities by providing the second step of entrepreneurial training or business planning. The final step is financing. In this way a true private-public partnership is formed. The community identifies its business development markets, which in turn, provides the basis of an entrepreneur's marketing plan.

AEDC has been involved in several of these community economic pilot programs throughout the Park. These communities stretching from Crown Point to Speculator, have the interest and the will, but lack the resources to accomplish community-based economic development on their own.

### The Greatest Obstacle

Even these initiatives pale against the greatest threat in my view, to the Park economy. It is not real, nor is it measurable. It is like a virus which you cannot see, but which needs a desperate cure. The greatest obstacle to ensure a sustain-

able economic base is the perception that the Adirondack Park is an unfriendly business environment. The connotation of the word 'Park' is a regulatory one; there is no complementary economic or tourism definition

to 'Park'. In order to develop a region-wide economic and tourism policy, to the same extent as the regulatory policy, one has to combat the reality that the Park is torn among three NYS Department of Economic Development and four state tourism regions. These regions, based on

the fact that the level of economic activity is greater outside the Park, have the effect of making the Blue Line a red line for business development efforts.

The Pataki administration has taken steps to help correct this impression. One outgrowth has been a re-awakening at the Adirondack Park Agency (APA) which now includes economic considerations as part of its environmental review. In 1995, the AEDC assisted the APA in drawing up an 'Economic Development Policy Statement.' It echoes the need for a balance between maintaining the environmental integrity of the Park and economic development. This is the first time that the APA has issued a written policy regarding the economy of the Park. The ten points outlined in this statement reflect the need for the establishment of a Park-wide economic development initiative.

It may not be necessary to create a separate Adirondack Park economic and tourism region. Minimally however, there needs to be greater recognition that the Park's economy, as well as its environment, is unique, requiring special considerations, attention and assistance. Current economic development resources within the Park are too fragmented, and lack the financial support and expertise to effectively promote and develop the economy. New thinking with new strategies that bring all facets of Park life into a new economic development partnership will be required. This partnership must include local communities, local government, business, the State and even the environmental community. The biodiversity of the Park is dependent on healthy economic diversity. In turn, an effective business development campaign requires a pristine quality of life. We must not set our sights on traditional large industry or expect the tourism industry to continue to be the backbone of the Park economy. We should take advantage of a wide range of new small business opportunities which are emerging as we head into the 21st century. These will not only complement, but enhance, our quality of life.

